

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

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L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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USMISSION GENEVA

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TAGS: ETRD, ECON, PFOR, GATT, PE

SUBJECT: GATT:BOP COMMITTEE REVIEW OF PERU

REFS: A) STATE 57132; B) GENEVA 1885; C) LIMA 1505;
D) LIMA 878; D) LIMA A-192 OF AUG 22, 1974 (NOTAL)

1. DDRAWING ON REFTELS A AND B. EMBASSY OFFICERS AND CLAY BLACK, MEMBER OF US DELEGATION TO UNIDO, HAD LENGTHY CONVERSATION MRCH 25 WITH FERNANDO GUILLEN ON QUESTIONS POSED BY GOP COMMITTEE REVIEW OF PERU. WE INFORMED GUILLEN THAT WHILE NO FIRM DATE YET ESTABLISHED FOR THE REIVIEW, USG PREPARED TO TAKE POSITIVE AND CONSTRUCTIVE APPROACH, BUT IS PRESENTLY INCLINED TO HOLD REVIEW ASAP SINCE PERU HAS NOT HAD A REVIEW IN FIVE YEARS AND HAS TAKEN SERIES OF RESTRICTIVE MEASURES IN MEANTIME. GUILLEN STATED THAT GOP, IN HIS PERSONAL OPINION, IS NOT YET PREPARED FOR EARLY REVIEW.

2. GUILLEN EXPLAINED THAT PRIMARY RESPONSIBILITY FOR
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TRADE POLICY IN GOP RESTS WITH NEWLY CREATED (1974)

MINISTRY OF COMMERCE, AND THAT FOREIGN MINISTRY DOES NOT HAVE FINAL SAY ON TRADE ISSUES. HE SAID THAT MINISTRY OF COMMERCE IS NOT WELL INFORMED ABOUT EITHER FUNCTIONS OF GATT OR ITS IMPORTANCE. HE THEN SAID THAT MINISTRY OF COMMERCE IS UNDERTAKING INTERNAL REVIEW OF PERU'S RESTRICTIVE TRADE POLICY AND ITS EFFECTS, WHICH SHOULD BE READY BY FALL OF 1975. GUILLEN THEN EXPRESSED HOPES THAT GATT COULD POSTPONE REVIEW UNTIL THAT TIME. WHEN PRESSED, GUILLEN SAID HE COULD NOT COMMIT PERU TO REVIEW EVEN AT THAT TIME BUT HE THOUGHT BREATHING SPACE WOULD ALLOW FOR SUITABLE GROUND-WORK AND PREPARATION.

3. TURNING TO THE QUESTION OF ARTICEL 28 WAIVER ON SPECIFIC BOUND PRODUCTS, MENTIONED IN GENEVA 1885, GUILLEN SAID THAT HE WAS NOT AWARE THAT GATT SECRETARIAT HAD SOUGHT, EVEN INFORMALLY, SUCH A WAIVER, BUT THAT HE THOUGH IT MIGHT BE USEFUL TO SPEARATE QUESTION OF BOUND ARTICLES, AND CONCESSIONS TO BE MADE UNDER ARTICLE 28, FROM OVERALL REVIEW OF GOP RESTRICTIONS.

4. GUILLEN THEN MENTIONED THAT IN HIS PERSONAL OPINION PERU SHOULD WITHDRAW FROM GATT AS THE GATT MECHANISMS AND PHILOSOPHY DO NOT ACCORD WITH PERU'S NEW INCIPIENT STATE TRADING STRUCTURE, WHICH IS PARTIALLY STATE-RUN AND PARTIALLY PRIVATE. HE ADDED THAT GATT RAISON D'ETRE HAS TRADITIONALLY BEEN DESIGNED FOR LIBERAL, OPEN ECONOMIES, WITH CONSIDERATION OF BROAD LISTS OF PRODUCTS AND BOP RESTRICTIONS, BUT THESE DO NOT, IN HIS VIEW, ACCORD WITH MODERN PERUVIAN REALITY. HE FURTHER IMPLIED THAT GATT INSISTENCE ON APRIL BOP REVIEW MIGHT BE A CATALYST WITHIN THE GOP FOR SERIOUS CONSIDERATION OF WITHDRAWAL. EMBASSY OFFICERS AND BLACK MADE APPROPRIATE COUNTER-ARGUMENTS, BUT TO LITTLE AVAIL.

5. COMMENT: IMPORT OF GUILLEN'S COMMENTS WAS THAT FOREIGN MINISTRY HAS LITTLE INFLUENCE OVER TRADE POLICY WHICH NOW RESTS WITH COMMERCE MINISTRY AND THAT UNLESS GATT POSTPONES REVIEW UNTIL GOP CAN GET ITS DUCKS IN LINE LATER THIS YEAR, IF THEN, LESS SOPHISTICATED AND HARDER-LINE ELEMTNTS IN COMMERCE MINISTRY MIGHT DECIDE TO PUSH FOR OPEN BREAK WITH LIMITED OFFICIAL USE

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GATT. WHILE GUILLEN OBVIOUSLY PRESENTED HIS VIEWS IN BEST LIGHT TO DISSUADE US FROM PRESSING FOR EARLY BOP REVIEW IN GENEVA, THE EMBASSY BELIVEVES THEY DO REFLECT ACCURATELY CURRENT INFORMED PERUVIAN THINKING ON THIS SHBJECT AND THEREFORE SHOULD WE PRESS FOR SPRING REVIEW, WE ARE INDEED LIKELY TO COME UP EMPTY-HANDED AT BEST, AND AT WORST, POSSIBLY TO PUSH PERU INTO CONFRONTATION WITH GATT WHICH WE SHOULD TRY TO AVOID IF FEASIBLE.

6. WHILE WE REALIZE THAT DEPARTMENT WILL DEPEND HEAVILY ON IMF STATISTICS TO EVALUATE WHETHER OR NOT INTENSIFICATION OF RESTRICTIONS HAS BEEN JUSTIFIED FOR BALANCE OF PAYMENTS REASONS, THERE FOLLOWS FOR YOUR INFORMATION TABLE OF IMPORTS WITH REFERENCE TO LEVEL OF NET INTERNATIONAL RESERVES WHICH CAN FINANCE SPECIFIC LEVEL OF IMPORTS:

(MILLIONS OF \$)

YEAR	IMPORTS, FOB	NET INT'L RESERVES	NO. OF MONTHS THAT B CAN FINANCE A
1969	659	166	3.0
1970	699	423	7.3
1971	730	347	5.7
1972	812	397	5.8
1973	1,029	411	4.8
1974	1,000	702	4.2
1975	2,491	522	2.6
1976	2,740	302	1.3

(1975 AND 1976 IMPORT FIGURES ARE OFFICIAL FORECASTS OF MINISTRY OF ECONOMY AND FINANCES. RESERVE LEVELS FOR THESE YEARS ARE ESTIMATED BY EMBASSY AND DO NOT INCLUDE THE POSSIBLE REVALUATION OF PERU'S GOLD RESERVES WHICH IS EXPECTED ABOUT MID-1975 AND WHICH WOULD INCREASE RESERVES BY ABOUT \$240 MILLION.) THESE FIGURES INDICATE THAT DURING THE NEXT TWO YEARS THERE MAY BE SUBSTANTIAL DETERIORATION IN THE LEVEL OF RESERVES SUPPORTING IMPORTS COMPARED TO 1971-74 PERIOD.

7. FINALLY, WE REFER DEPARTMENT TO A-192 OF AUGUST 22, 1974 WHICH SPELLED OUT IN DETAIL THE NATURE OF PERUVIAN NTBS. EMBASSY SUGGESTS THAT DEPARTMENT CONSIDER FEASIBLE LIMITED OFFICIAL USE

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BILITY OF POSTPONING REVIEW UNTIL LATE 1975, (STATE REF-TEL INDICATES THIS MIGHT BE POSSIBILITY IN ANY CASE), UNTIL PERU HAS SORTED OUT ITS PRIORITIES AND HAS BEEN ABLE TO MAKE REVIEW OF ITS RELATIONS WITH GATT. WHILE WE HAVE NO GUARANTEE, AS GUILLEN INDICATED, THAT PERU WOULD EVEN THEN BE PREPARED TO BITE BULLET, WE BELIEVE THIS APPROACH IS PREFERABLE TO PRESSING FOR REVIEW NOW WHICH GOP CLEARLY NOT INCLINED TO ACCEPT. IN MEANTIME, IT WOULD BE USEFUL IF DEPARTMENT AND/OR GENEVA, COULD MAKE AVAILABLE TO US ANY INFORMATION AND TALKING POINTS FOR USE WITH GUILLEN AND COMMERCE MINISTRY WHICH MIGHT SERVE TO REINFORCE OUR VIEW THAT LIBERALIZED WORLD TRADE IS BEST SERVED BY STRENGTHENING GATT FRAMEWORK. DEPARTMENT AND US MISSION GENEVA COMMENTS WOULD ALSO BE WELCOME ON FOREGOING ANALYSIS AND SUGGESTED APPROACH TO GOP.

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